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ABSTRACT

This report addresses the impact of the Los Angeles Community Colleges on the Los Angeles region. Several elements make up the total effect of an educational institution on the economy of the surrounding area: total district expenditures; the amount spent by students to support their education; and the effect of community college education on the income of students after they leave college. The Los Angeles Community Colleges have a large service area that absorbs almost all of its expenditures, while some of its revenue is obtained directly or indirectly from local sources. Therefore, a median figure of 2.0 seems most valid as a multiplier for District expenditures. District expenditures and student expenditures in 1998-99 generated economic activity of approximately $882 million and $583 million, respectively. To most accurately determine the impact of student spending, the cost figure should be multiplied by the full-time-equivalent (FTES) of District students for the academic year. For all Los Angeles adults 18 and over, male and female, with earned income in 1989, the average income differential between 4 years of high school and 1-3 years of college was $4,782. Increased annual income by former students accounted for $3.6 billion. Thus, the total economic impact in 1998-99 was $5.1 billion. (JA)

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LOS ANGELES COMMUNITY COLLEGES

Institutional Research and Information

THE ECONOMIC IMPACT OF THE LOS ANGELES COMMUNITY COLLEGES

The economic impact of the Los Angeles Community Colleges on the Los Angeles region is summarized in the following table.

Economic Activity Generated by District Expenditures	882 million
Economic Activity Generated by Student Expenditures	583 million
Subtotal	$1.5 billion
Greater Annual Income of Former Students	3.6 billion
Total Economic Impact in 1998-99	**$5.1 billion**

A review of the literature on the economic impact of community colleges on their local service areas reveals several elements that make up the total effect of an educational institution on the economy of its surrounding area. We have selected these principal components for our analysis:

Total District expenditures, including salaries, wages and benefits, along with supplies and operating expenses.

The amount spent by students to support their education.

The effect of community college education on the income of students after they leave college.

DISTRICT EXPENDITURES

In 1998-99, expenditures of all District funds totaled **$441,050,237**. This figure includes general fund accounts that include all salaries, benefits, operating expenses, etc. Specially funded programs, like EOP&S, handicapped and Vocational Education Act Grants (but NOT Student Financial Aid), along with separate accounts such as cafeterias and bookstores, are also part of this total.

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A large percentage of District Income comes from state and federal sources outside the area. All but a fraction of expenditures are spent in the Los Angeles area. They indirectly generate further

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spending and income among businesses and individuals not directly connected to the District. To include this additional activity, a multiplier should be applied to District expenditures.

Assessments of the local economic impacts of other colleges have used multipliers ranging from 1.5 to 2.5. The smaller figure may apply to small individual colleges, most of whose expenditures are spent outside their immediate service area and thus have a lesser effect on that area. The larger figure has been used for private colleges that obtain most of their students and funding from outside their service area and thus add those resources to their local areas.

The Los Angeles Community Colleges have a large service area that absorbs almost all of its expenditures, while some of its revenue is obtained directly or indirectly from local sources. Therefore, a median figure of **2.0** seems most valid as a multiplier for District expenditures. When applied to the total District expenditures of **$441,050,237**, this multiplier produces a figure of **$882,100,474** as the volume of business and personal income generated by District spending during fiscal 1998-99.

STUDENT SPENDING

In order that federal financial aid grants be allotted on the basis of need, each college must determine the amount spent each year by a full-time student to support his or her community college education, and use this as a basis for calculating grants. Exclusive of tuition and fees, which have in effect already been accounted for in District expenditures, these amounts include the costs of books and supplies, transportation, room and board, and miscellaneous expenses

such as child care. With the exception of room and board, which is not directly supportive of a student's education activity and would be spent even if the individual were not attending college, the 1998-99 District average for student costs, adjusted for inflation, was **$3,780** per full-time student.

To most accurately determine the impact of this student spending, the cost figure should be multiplied by the full-time-equivalent (FTES) of District students for the academic year. In 1998-99, this full-year FTES count was 75,358.5. Multiplied by **$3,780**, we come up with an estimate of **$291,637,395** for student costs in 1998-99. When this figure is multiplied by 2, as was the District expenditure figure, the resulting impact of student costs on the region is **$583,274,790**. Added to the **$882,100,474** multiplied expenditure, the amount of impact rises to **$1,465,375,264.**

The total so far indicates that the programs and operation of the Los Angeles Community Colleges pump almost a billion and a half dollars into the Los Angeles economy every year. But this figure does not begin to measure the ultimate financial impact of the Colleges.

INCREASE IN INCOME DUE TO EDUCATION

In its tabulation of detailed population characteristics, the U.S. Census Report includes the relationship between income and levels of education. Two adjacent education levels are completion of 4 years of high school and 1-3 years of college. The latter category may include anyone who has attended a community college for any length of time, even for one course in one

semester. The income differential between these two categories thus represents the bare minimum effect of community college instruction on personal income.

Published results of the 1990 census have included average income levels by educational attainment for the Los Angeles-Anaheim-Riverside metropolitan area. For all Los Angeles adults 18 and over, male and female, with earned income in 1989, the average income differential between 4 years of high school and 1-3 years of college was $4,782. Multiplied by the 1998 CPI, the adjusted figure becomes $5,986. This represents the minimum average income increase related to a community college education.

The full effect of this increment can best be measured if it is multiplied by the number of students that enter community colleges for the very first time. In 1998-99, 19,181 new students entered Los Angeles community colleges during the fall semester, and 11,298 entered in the spring, for a total of 30,479 entrants. Multiplied by the $5,986 increment, these students would generate **$182,453,848** of additional income on an annual basis.

But this differential persists throughout their careers, since it applies to all age groups in the area. Even its annual impact can be measured only if the figure above is multiplied by a number of working years. To allow for some attrition, including a possible slight outflow of ex-students from the region, a hypothetical career length of 20 years may be used. We take a very conservative approach and do not apply any economic impact multiplier here, though it is certainly arguable that the enhanced abilities of former students increases the area's productivity well in excess of the additional income received by the former students.

Using only the 20-year multiple, incoming students would generate **$3,649,076,962** of income in constant dollars throughout their working lives. Since new students are entering Los Angeles community colleges every year, and since hundreds of thousands of ex-community college student are working and earning in the Los Angeles area at any one time, this 20-year income increment can be considered an annual boost to the Los Angeles economy. When this $3,649,076,962 is added to the $1,465,375,264 of direct infusion, a total of **$5,114,452,226** is obtained as the annual dollar value of the Los Angeles Community Colleges activity in the Los Angeles economy.

Of course, community colleges confer other economic benefits that cannot so easily be assigned a specific annual dollar estimate. The extent to which local commerce, industry and public services are dependent on the colleges for a competent available work force is probably incalculable. Training for entry-level skilled positions is such areas as clerical, data-processing, and health occupation is most easily available in the colleges at minimal costs, and many of those who need more advance post-secondary education are dependent on community colleges for lower-division course requirements. The Los Angeles economy has thrived in the face of international competition and an increasing need for advance technological skills in the workforce, in part because of the high-quality and low-cost educational offerings so easily available at its community colleges. If the colleges cannot obtain the resources need to expand and adapt to increasing demand and technological change, Los Angeles may lose its competitive edge in the world marketplace.

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